

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2017-228-S**

IN RE: )  
 )  
 Application of Palmetto Utilities, Inc. )  
 for adjustment of rates and charges )  
 for, and modification to certain terms )  
 and conditions related to, )  
the provision of sewer service. )

**PREFILED DIRECT**  
**TESTIMONY OF**  
**MARK S. DADAY**  
**ON BEHALF OF PALMETTO**  
**UTILITIES, INC.**

1     **Q.     PLEASE STATE YOUR NAME, PRESENT POSITION, AND BUSINESS**  
 2     **ADDRESS.**

3     A.           My name is Mark S. Daday. I am employed as the Chief Financial Officer  
 4               of Ni Pacolet Milliken Utilities, LLC (“Ni”) and all of its subsidiaries, which  
 5               includes the applicant, Palmetto Utilities, Inc. (“Palmetto”). My primary business  
 6               address is 1710 Woodcreek Farms Road, Elgin, SC 29045. Ni is owned by Pacolet  
 7               Milliken Enterprises, Inc., a South Carolina company owned principally by the  
 8               Milliken family (“Pacolet”).

9     **Q.     WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL**  
 10    **BACKGROUND?**

11    A.           I graduated from Westminster College in New Wilmington, Pennsylvania,  
 12               with a Bachelor of Arts degree and the University of Miami with a Master in  
 13               Business Administration degree. I have over ten years of water and wastewater  
 14               experience and have worked in the utility industry for over 20 years. I was first

1 employed by GATX-Fuller Company, a multi-national manufacturing firm in  
2 various financial roles. From 1989 to 2003, I was with Duquesne Light Company,  
3 the electric utility serving Pittsburgh, Pennsylvania, and its affiliates. Duquesne  
4 was a publicly-traded company listed on the New York Stock Exchange at the time,  
5 with over 600,000 customers and \$1.1 billion in revenue. I held various positions  
6 in the financial group, including Assistant Treasurer, an officer level position. I  
7 was one of the founders and a board member of AquaSource, a water and  
8 wastewater utility, and an affiliated company of Duquesne. AquaSource was  
9 involved in over 125 acquisitions and eventually grew to \$200 million in annual  
10 revenue. In 1998, I was named Chief Financial Officer of another affiliated  
11 company, DQE Systems; subsequently, I was named President of DQE. DQE  
12 Systems operated a propane gas distribution company and a fiber optic network  
13 company in Pittsburgh. In these roles at DQE Systems, I maintained my  
14 involvement with Duquesne Light Company, including serving on its pension  
15 investment management committee. In 2010, I joined Ni America, the previous  
16 owner of Palmetto (and seller to Pacolet).

17 **Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?**

18 A. As Chief Financial Officer of Ni, I am ultimately responsible for all  
19 financial issues, and day-to-day financial operations of five utility systems  
20 representing over 40,000 equivalent residential connections in South Carolina and  
21 Florida. As Chief Financial Officer of Palmetto, my responsibilities include the  
22 day-to-day oversight of its financial, accounting, customer billing and relations, and  
23 banking and rates management.

1     **Q.   HAVE YOU HAD ANY INVOLVEMENT IN OTHER**  
2     **RATE/REGULATORY PROCEEDINGS?**

3     A.         I have been involved in numerous rate proceedings and settlement  
4         negotiations in a number of states, including the Commonwealth of Pennsylvania's  
5         electric utility deregulation proceedings where, among other duties, I was  
6         responsible for Duquesne Light's cost of capital testimony, its testimony related to  
7         the proposed two hundred mile long Duquesne Light-to-General Public Utilities  
8         Transmission Line, fuel clause adjustment filings, and general rate filings for  
9         utilities in Texas, Florida, and South Carolina.

10    **Q.   WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
11    **PROCEEDING?**

12    A.         The purpose of my testimony is to (1) provide the Commission with an  
13         overview of the financial structure of Ni America Operating, LLC (a sister company  
14         of Ni) and the allocation of overhead, (2) review specific financial issues related to  
15         Palmetto, its rates and rate application, and its proposed rate phase-in, and (3)  
16         generally support Palmetto's rate application.

17    **Q.   WHAT WAS THE RELATIONSHIP BETWEEN THE APPLICANT**  
18    **PALMETTO UTILITIES, INC. AND PALMETTO OF RICHLAND**  
19    **COUNTY, LLC?**

20    A.         As the Commission is aware, Palmetto began operating in the 1970's and  
21         increased in size over time through the acquisition of small systems and new  
22         customer (organic) growth. In 2010, its parent Wateree Utilities Holding, Inc. was  
23         purchased by Ni America Capital Management. In 2013, Ni America Capital

1 Management formed Palmetto of Richland County (or “PRC”) to purchase a  
2 wastewater collection system that was owned by the City of Columbia and served  
3 approximately 11,000 customers in an area adjacent to the Palmetto service area.  
4 In July 2017, the Commission approved the merger of PRC into Palmetto. In my  
5 testimony, if I seek to distinguish between the two different customer bases now  
6 served by Palmetto, I will refer to the area in which the former customers of the  
7 City of Columbia are served as the “PRC service territory” and the area in which  
8 original customers of Palmetto served as the “legacy Palmetto service territory.”

9 **Q. YOU PREVIOUSLY MENTIONED NI AMERICA OPERATING, LLC.**  
10 **WHAT IS ITS RELATIONSHIP TO PALMETTO UTILITIES, INC?**

11 A. Ni America Operating, LLC (“Ni America Operating”) is essentially a  
12 service company that houses the employees that serve the utilities owned by Ni.  
13 Therefore, its books reflect the costs for the overhead and “shared services”. The  
14 shared services performed by Ni America Operating include accounting, customer  
15 service, billing, finance and cash management, third party operator contract  
16 management, capital project management, and engineering. Ni America Operating  
17 has 30 employees with management having over 100 combined years of water and  
18 wastewater experience. These employees include engineers, CPA’s, administrative  
19 personnel and field personnel. The management of Palmetto prides itself in its  
20 reputation and its dedication to constantly improving the standards of operations,  
21 regulatory compliance and customer service in a cost-effective manner.

1     **Q.     WOULD YOU PLEASE EXPLAIN THE OVERHEAD ALLOCATION**  
2     **PROCESS PERTINENT TO THIS PROCEEDING?**

3     A.           Yes. For rate case purposes, all applicable corporate overhead costs are  
4           allocated or specifically assigned to the utilities. The companies where corporate  
5           overhead costs are incurred are 1) Ni America Operating and 2) Pacolet. As noted  
6           above, Pacolet owns Ni and all of its affiliates.) The corporate overhead costs (1)  
7           may be allocated based on Equivalent Residential Connections (“ERCs”) for all  
8           utilities, or (2) may be specifically assigned to the utility that receives the benefit  
9           of the cost incurred.

10           The largest contributor to corporate overhead costs is Ni America  
11           Operating, whose related costs include payroll, benefits, office rent and expenses,  
12           and travel. Pacolet contributes some corporate overhead costs, and includes costs  
13           for employees doing work that benefits Ni America’s utilities, including costs for  
14           their corporate financing and governance, as well as direct support on contractual,  
15           construction and regulatory matters. The percentage of time/expense of Pacolet  
16           employees allocated to Ni ranges from 5% to 50%. In preparing the rate filing,  
17           certain costs recorded for Ni America Operating are excluded from the allocation  
18           due to one of the following reasons: they have been disallowed by the Commission  
19           in previous rate filings, they are specifically assignable to a particular utility, or  
20           they are for activities that do not benefit the utility customers. These include such  
21           items as bonuses, severance, and due diligence expenses. After all of these costs  
22           are excluded, the remaining costs are allocated to the utilities based on the ratio of  
23           the Palmetto’s ERCs to the total ERCs managed by Ni America Operating.

1           Then, there are some expenses for Ni America Operating which may be  
2 incurred for a specific utility. An example of this would be the direct allocation of  
3 a legal bill from a single law firm to one of the three South Carolina utilities owned  
4 by Ni. As such, these expenses are removed from the allocation in #1 above, and  
5 specifically assigned to the utility receiving the benefit for this cost.

6       **Q. DOES PALMETTO USE ITS OWN PERSONNEL TO OPERATE THE**  
7       **SYSTEMS?**

8       A.           No. It uses a third- party contract operator for that function. However,  
9 Palmetto has both the technical and financial expertise in-house to manage its third-  
10 party operator.

11       **Q. HOW DOES THE USE OF A THIRD-PARTY OPERATOR BENEFIT**  
12       **CUSTOMERS?**

13       A.           In 1987, Palmetto was designated by Richland County as its authorized  
14 agent to perform the County's function as the designated management agency for  
15 the regional system serving northeastern Richland County under the Water Quality  
16 Management Plan adopted by the Central Midlands Council of Governments under  
17 the Federal Clean Water Act. Since its inception, Palmetto has grown from a small,  
18 local utility with several different treatment facilities, to one that operates a regional  
19 wastewater treatment plant ("WWTP") located on Spears Creek that is comparable  
20 in size to those of many municipalities.

21           Ni's goal is to operate every utility system in a manner as close to industry  
22 best practices as is reasonably practicable for the size of the system and with due  
23 consideration of the related cost to the customer. We find that using an independent

1 third-party operator and engaging it on a fixed cost basis allows us to better control  
2 operating costs and keep overhead down. This allows us to transfer some of the risk  
3 of the day to day uncertain of operations to the third-party operator. While the cost  
4 of the third-party operator increases annually, the increase is based on a formula  
5 tied to a specific inflation factor. Also, Ni can leverage the third-party operator's  
6 existing economies of scale to provide our customers with additional services, such  
7 as enhanced environmental and safety compliance at a more effective cost. These  
8 contracts have a five-year term, but they are cancellable upon ninety days' notice.  
9 This allows Ni to demand high operating standards without the associated risk and  
10 cost of replacing underperforming company employees (if Ni performed this  
11 function in-house). Also, these contracts are competitively bid among several  
12 service providers, which ensures that costs are kept down. This compares favorably  
13 with bringing people in-house as direct employees. While it is difficult to get  
14 comparable industry data, Palmetto believes that its cost of operations (including  
15 overhead) is lower than most other similarly-sized utilities.

16 **Q. DOES PALMETTO HAVE ANY TRANSACTIONS WITH AFFILIATED**  
17 **COMPANIES?**

18 A. Yes, it does. Palmetto treats and disposes of wastewater received from Ni  
19 South Carolina Environmental Services, LLC ("NSC Environmental"), which  
20 operates a septage receiving station that takes wastewater and solids pumped from  
21 septic tanks or other sources. Solids removed from this septage are transported by  
22 NSC Environmental to Waste Management, Inc. for landfilling. Like Palmetto,  
23 NSC Environmental is owned by Ni. Palmetto believes that the charges it imposes

1 for treating and disposing of wastewater from NSC Environmental are reasonable  
2 and appropriate.

3 **Q. WHAT ARE THOSE CHARGES?**

4 A. Palmetto charges NSC Environmental the Commission-approved rate for  
5 wastewater treatment service, which is currently \$36.50 per single family  
6 equivalent (“SFE”). The number of SFEs was determined originally by taking the  
7 total gallons expected to be treated, and dividing that by the 300 gallon capacity  
8 loading guideline per SFE. In addition, Palmetto allocates to NSC Environmental,  
9 a portion of the charges Palmetto incurs for sludge disposal. The amount of that  
10 allocation is \$4,068 per month. Since it cannot be easily empirically measured, this  
11 allocation is based upon the originally-expected gallons received at the septage  
12 receiving station and the estimated amount of sludge produced by those gallons.  
13 The amount of sludge produced per gallon received at the septage receiving station  
14 is estimated to amount to more than a typical gallon of untreated wastewater given  
15 that the wastewater generated at the septage receiving station is much more  
16 concentrated than typical untreated wastewater.

17 We estimated that 97.08 average tons of sludge per month were produced  
18 and disposed of at an estimated cost of \$28.00 per ton, or \$2,718.25 per month. In  
19 addition, we estimated a \$125 fee per haul to the landfill with an average of 10  
20 hauls monthly, and a container rental fee of about \$100 per month. The total of  
21 these costs is what supports the calculated \$4,068 intercompany monthly charge  
22 from Palmetto to the septic station. This amount is the only cost incurred by  
23 Palmetto for the operation of the septage receiving station.



1     **Q.     ARE THERE ANY OTHER TRANSACTIONS WITH AN AFFILIATED**  
2     **ENTITY?**

3     A.           Yes. Palmetto is charged for utilizing 3,299 square feet of office space at  
4           1710 Woodcreek Farms Road, which is owned by 1710 Woodcreek Farms Road,  
5           LLC (“Woodcreek”). Woodcreek is a sister entity to Palmetto, and an indirect  
6           subsidiary of Ni.

7     **Q.     WHAT IS THE CHARGE ASSOCIATED WITH THE USE OF THIS**  
8     **WOODCREEK OFFICE SPACE?**

9     A.           The charge is \$12.48 per square foot and is recovered via intercompany  
10          charges for real property taxes of \$17,175 and depreciation expense of \$24,050.  
11          Palmetto believes that this charge is reasonable given that comparable office space  
12          nearby is leasing for \$14.00 per square foot.

13    **Q.     PLEASE EXPLAIN WHY PRC WAS MERGED INTO PALMETTO.**

14    A.           As I mentioned before, Palmetto’s and PRC’s service territories are  
15          contiguous, and all of the wastewater flow from customers in the PRC service area  
16          is now treated at Palmetto’s Spears Creek Regional WWTP. Therefore, it is only  
17          logical that the two service areas comprise a single, certificated utility. As a result  
18          of the merger, customers of both entities benefit from centralized operations,  
19          increased efficiency, reduced regulatory expenses, and savings from not having to  
20          file separate annual financial reports to the Commission. The merger also serves  
21          judicial and administrative economy in that it reduces the number of rate cases  
22          required for the separate customer bases, and eliminated the need for a proceeding

1 before the Commission to establish a bulk treatment charge for Palmetto to impose  
2 on PRC for treatment of its wastewater.

3 **Q. WHEN WERE THE LAST GENERAL RATE INCREASES REQUESTED**  
4 **FOR CUSTOMERS IN THE PALMETTO AND THE PRC SERVICE**  
5 **AREAS?**

6 A. Palmetto last requested a general rate increase in March 2013, based on a  
7 test year ending September 30, 2012. By Order No. 2013-660 in Docket No. 2013-  
8 42-S, the Commission authorized an increase to \$36 per SFE effective September  
9 17, 2013. As a result of the settlement of an appeal from that order by two  
10 commercial customers, an increase of an additional \$0.50 per SFE was approved  
11 by Order No. 2015-153, effective March 3, 2015. When Palmetto purchased PRC  
12 in March 2013 from the City of Columbia, it carried over the City's rates (with  
13 Commission approval). It has never requested a rate increase since that point.

14 **Q. IS PALMETTO IN NEED OF CURRENT RATE RELIEF?**

15 A. Yes. As the financial statements attached as exhibits and schedules to this  
16 Application demonstrate, and as the testimony of Palmetto witness Donald Clayton  
17 confirms, Palmetto is earning below its previously authorized operating margin.  
18 This is due primarily to increases in its capital expenditures and, to a lesser extent,  
19 increases in its operational expenses since its last rate relief proceeding.

1     **Q.     WHY HAS PALMETTO PROPOSED A FLAT RATE, AS OPPOSED TO A**  
2     **VOLUMETRIC RATE, FOR ITS CUSTOMERS IN THE PRC SERVICE**  
3     **TERRITORY?**

4     A.           Palmetto proposed a flat rate for PRC service territory customers to be  
5                 consistent with the rate design approved for customers in the legacy Palmetto  
6                 service territory (thus consolidating to a single rate tariff for all Palmetto  
7                 customers). We believe that, where reasonable, the Commission views with favor  
8                 a single tariff for merged utilities – in other words, a true merger of companies and  
9                 customer bases. Of course, rate design is a matter of discretion with the  
10                Commission.

11               More importantly, by having a flat rate, Palmetto will avoid the \$0.50 per  
12               customer per month it pays to the City of Columbia for meter readings for the PRC  
13               service territory customers. Consequently, Palmetto and its customers will save  
14               over \$69,000 per year currently spent on meter readings. Please note that Palmetto  
15               has no control over the fees that the City of Columbia charges for meter reading;  
16               thus, this cost could increase in the future. Also, meter readings received from the  
17               City are often incorrect, resulting in customers contacting our customer service  
18               representatives (“CSRs”) to correct these errors (which are out of our control). This  
19               not only takes up CSR time, but causes great customer angst, which was reinforced  
20               by comments received from customers at our recent town hall meetings. By going  
21               to a flat rate, these problems would be eliminated.

1     **Q.     WHY DOES PALMETTO PROPOSE TO LOWER THE NON-**  
2     **RECURRING CONNECTION AND FACILITIES FEE FROM \$2,940 TO**  
3     **\$1,050 FOR FUTURE CUSTOMERS IN THE PRC SERVICE**  
4     **TERRITORY?**

5     A.         As I mentioned earlier, Palmetto's goal is to have a single tariff applicable  
6     to all customers. It made more sense to reduce these non-recurring charges for the  
7     PRC service territory -- as opposed to raising these charges for the legacy Palmetto  
8     service territory -- for several reasons. First, a lower fee encourages new customer  
9     growth, which in turn reduces the per unit cost of providing service. The current  
10    Palmetto connection and plant impact fees have spurred strong growth in the legacy  
11    Palmetto service territory over the last 10 years, and we would expect that to occur  
12    in the legacy PRC service territory. I would further note that the connection and  
13    plant expansion fees imposed by the City of Columbia and reflected in the current  
14    PRC tariff are not cost-based. Finally, Palmetto has always understood that the  
15    plant impact fees are intended to recover only a portion of the cost of capacity and  
16    not to reimburse a utility for the full cost of adding a new customer.

17    **Q.     WHAT ARE THE LONG-TERM BENEFITS OF CUSTOMER GROWTH?**

18    A.         New customer growth greatly helps existing customers in that it increases  
19    the number of available customers over which the cost of service and revenue  
20    requirement may be spread. As I mentioned earlier, this reduces the per unit cost  
21    of service. From 2000 to 2010, Palmetto was able to avoid filing rate applications  
22    largely due to high growth that was able to cover higher operating expenses, as well  
23    as capital expenses.

**Q. WHAT HAS BEEN PALMETTO'S OPERATING (O&M) EXPERIENCE SINCE THE LAST RATE CASE?**

A. Since the last rate filing, Operations and Maintenance expense has increased \$703,089. This equates to an average annual increase of roughly 2.0% per year (below the rate of inflation) -- despite an increase in customers during that period.

**Q. WHAT IS THE EFFECT OF THE \$80 MILLION IN NEW CAPITAL EXPENDITURES DISCUSSED IN MR. STONE'S TESTIMONY ON PROPERTY TAXES?**

A. Property taxes for utilities paid to Kershaw and Richland counties are based on net book value. The \$80 million in capital expenditures will increase net book value by that amount. Unfortunately, this will increase property taxes by approximately \$2.6 million per year.

**Q. CAN PALMETTO DO ANYTHING TO ALLEVIATE THE IMPACT ON CUSTOMERS OF THE LARGE RATE INCREASE BEING REQUESTED?**

A. Typically, a public utility is entitled to an increase in rates to recover its increased costs of operation and a reasonable return on its investment once the assets have been placed in service (i.e., they are used and useful). This rate increase is immediate upon receipt of regulatory approval. However, in an effort to lessen the impact on customers from the rate increase requested, Palmetto has offered to phase-in the \$29.55 per month increase in three equal amounts of \$9.85 as shown in the table below:

March 2018	\$9.85
March 2019	\$9.85

March 2020 \$9.85

Total \$29.55

Please note that the \$29.55 is the increase above \$38.50—and \$38.50 represents a blend of the current rate Palmetto and the average amount PRC customers are currently paying. Thus, the individual increase for PRC customers and PRC customers may be different. Similarly, the \$9.85 first year increase represents an increase over the same blended rate. Year two and three increases of \$9.85 will be the same for Palmetto and PRC customers. If approved, this phase-in of the requested rate relief would be made available without interest. In other words, Palmetto would not seek an award of carrying-charges.

**Q WHY WOULD PALMETTO BE WILLING TO PHASE-IN THE INCREASE IN RATES WHICH WOULD RESULT FROM THE GRANTING OF ITS APPLICATION FOR RATE RELIEF?**

A. Palmetto recognized that this increase will have an impact on customers and is simply trying to be mindful of this impact. Also, as discussed in Ms. Powell-Baker's testimony, Palmetto sponsored four "Town Hall" meetings for customers to learn about the rate increase shortly after the application was filed in this docket. One customer noted that the proposed increase would be painful and asked what Palmetto was doing to "share in this pain." A phase-in of increased rates as I have described would cost Palmetto approximately \$11.4 million in lost revenue based on the difference between the full increase entitled to be implemented upon the order, and the full phase-in in year three. Since the phase-in is being offered

1 without an interest carrying charge, there is an additional cost to Palmetto measured  
2 by the cost of capital on the deferred amount.

3 **Q WHAT WOULD THE FORMER PRC CUSTOMERS' RATES BE IF THE**  
4 **CITY OF COLUMBIA HAD NOT SOLD THE SYSTEM SERVING THEM**  
5 **TO PRC?**

6 A. The approximate 11,000 customers (now 12,000 customers) in the territory  
7 purchased by PRC from the City of Columbia paid \$49.73 per month for service at  
8 the time of the transaction. This is based on 6,000 gallons usage per month for “out  
9 of city” residential customers which most of the PRC customers were. As part of  
10 the approval of the acquisition by the Commission, PRC kept the rate tariff that was  
11 in place at the City of Columbia without change. Since that time, the City of  
12 Columbia has raised rates on “out of city” customers several times. The average  
13 City of Columbia “out of city” residential customer, using 6,000 gallons of water  
14 per month, now pays \$60.75 for monthly sewer service. By contrast, customers in  
15 the PRC portion of the service territory previously served by the City of Columbia  
16 have seen no increase since March 2013. Given the \$750 million consent  
17 agreement the City of Columbia signed with the US EPA, which can be found at  
18 [https://www.epa.gov/enforcement/columbia-south-carolina-clean-water-act-](https://www.epa.gov/enforcement/columbia-south-carolina-clean-water-act-settlement)  
19 [settlement](https://www.epa.gov/enforcement/columbia-south-carolina-clean-water-act-settlement) and [https://www.justice.gov/opa/pr/columbia-sc-agrees-major-sewer-](https://www.justice.gov/opa/pr/columbia-sc-agrees-major-sewer-system-upgrades)  
20 [system-upgrades](https://www.justice.gov/opa/pr/columbia-sc-agrees-major-sewer-system-upgrades), it is expected that the City’s rates will continue to increase for the  
21 foreseeable future.

1     **Q.     DOES PALMETTO BELIEVE THAT ITS RATES SHOULD BE SET BY**  
2     **REFERENCE TO WHAT THE CITY OR OTHER UTILITIES CHARGE?**

3     A.           No, it does not. Palmetto's rates should be based on a recovery of its own  
4           operating expenses and a reasonable return on its own investment. Although there  
5           may be points of comparison between Palmetto and other utilities, we believe that  
6           our request for rate relief should be judged on its own merits. Having said that,  
7           when considering whether Palmetto has or is sharing in the "pain" which some  
8           customers will experience from the requested rate increase, Palmetto believes it is  
9           appropriate to consider the benefits that have been realized (or will be realized) by  
10          customers in the PRC service area from being served by an investor-owned utility  
11          as opposed to a governmental utility.

12    **Q.     HOW DO PALMETTO'S RATES COMPARE TO THE SEWER RATES OF**  
13    **OTHER NEIGHBORING UTILITIES?**

14    A.           As shown in MD Exhibit 1, the neighboring residential sewer utility rates  
15           and the proposed increased Palmetto rates are comparable in many respects. The  
16           information in this table was part of the presentation given at the four town hall  
17           meetings described in Ms. Powell-Baker's testimony and has been updated since  
18           that time.



1     **Q.     ARE THE RATES AND CHARGES PROPOSED FAIR, REASONABLE,**  
2     **AND NECESSARY IN ORDER FOR PALMETTO TO CONTINUE TO**  
3     **PROVIDE A SAFE AND RELIABLE WASTEWATER TREATMENT**  
4     **SERVICE?**

5     A.           Yes. The financial statements and the testimony of Mr. Clayton clearly  
6     reflect the financial position of Palmetto as Applicant. In order to continue to  
7     provide the type of services which we have been providing, Palmetto must have  
8     rate relief. Palmetto believes that the proposed rates fairly distribute the cost to the  
9     consumer of providing those services, while at the same time placing the utility on  
10    a more solid financial footing. This will allow Palmetto to attract additional capital  
11    to continue financing operations and fund future capital expenditures. Palmetto is  
12    committed to continuing to provide quality service in an environmentally  
13    responsible manner. It is our belief that the rates requested are reasonable, fair,  
14    responsible, non-discriminatory and justified in light of the customer needs,  
15    Palmetto's requirements to meet the customers' needs, and its commitment to do so  
16    in compliance with regulations of this Commission, DHEC, and other regulatory  
17    agencies with jurisdiction over Palmetto.

18    **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

19    A.           Yes, it does.

**MD EXHIBIT 1**  
**Neighboring Monthly Residential Wastewater Rates**

	<b>Current</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Town of Winnsboro <sup>(1) (2)</sup>	\$68.12	?	?	?
Town of Lexington <sup>(2)</sup>	\$67.17	?	?	?
City of Columbia <sup>(1) (2) **</sup>	\$60.75	?	?	?
Carolina Water *	\$57.58	?	?	?
City of Cayce <sup>(2)</sup>	\$53.52	?	?	?
Lexington County Joint Municipal <sup>(1)</sup>	\$49.91	?	?	?
City of Columbia (in city rates) <sup>(1) **</sup>	\$47.50	?	?	?
Richland County – Broad River	\$44.54	?	?	?
Kershaw County <sup>(1) (4)</sup>	\$40.00	?	?	?
Midlands/DSI (Synergy) *	\$38.75	?	?	?
<b>Palmetto Utilities</b>	<b>\$38.51</b>	<b>\$48.35</b>	<b>\$58.20</b>	<b>\$68.05</b>
East Richland County PS District <sup>(3)</sup>	\$35.77	?	?	?

\* Recently filed a rate application or a notice of intent to raise rates

\*\* Rates expected to rise significantly over the next 5 years due to \$750 million consent decree with EPA

**Notes:**

- (1) Assumes 6,000 gal. per month
- (2) Out of city rates
- (3) Includes estimate of ad valorem tax subsidies
- (4) Does not include the impact of any tax revenues used to support wastewater system.